

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 NSCE-00 ICAE-00
INRE-00 SSO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04
NSAE-00 PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01
TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 OIC-02 /122 W
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O R 091714Z JUN 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 2976
INFO AMEMBASSY BRUSSELS
AMEMBASSY TOKYO
USMISSION GENEVA

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USOECD

USEEC

USMTN

E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: AD HOC STEEL GROUP: TRILATERAL DISCUSSIONS
OF STEEL RESOLUTION

FOLLOWING IS REVISED TEXT OF COMMITMENTS AND WORK
PROGRAM SECTIONS OF DRAFT STEEL RESOLUTION AS IT
EMERGED FROM US/EC/JAPAN TRILATERAL JUNE 9:

BEGIN TEXT:

INITIAL COMMITMENTS

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THE MEMBERS OF THE STEEL COMMITTEE AGREE TO THE
FOLLOWING MULTILATERAL GUIDELINES.

A. WITH RESPECT TO STEEL CRISIS TRADE ACTIONS:

(1) NO ACTIONS SHOULD BE INCONSISTENT WITH GATT
PROVISIONS.

(2) WHEN ACTIONS ARE NECESSARY THEY SHOULD BE AS LIMITED AND TEMPORARY AS POSSIBLE.

(3) ALL ACTIONS SHOULD BE REPORTED PROMPTLY TO THE STEEL COMMITTEE AND TO THE GATT IN CONFORMITY WITH GATT RULES. THE STATUS AND RATIONALE FOR MAINTAINING SUCH ACTIONS SHOULD BE REPORTED REGULARLY TO THE STEEL COMMITTEE.

(4) BEGIN BRACKET: WHEN TAKING ACTION UNDER DOMESTIC LAW AND PROCEDURES TO DEAL WITH SERIOUS DIFFICULTIES OF ITS INDUSTRY A MEMBER SHALL TAKE INTO ACCOUNT THE CONCERNS OF TRADING PARTNERS THAT TRADITIONAL TRADE FLOWS NOT BE SEVERELY DISRUPTED. END BRACKET

(5) PRICE GUIDELINES ESTABLISHED IN CONFORMITY WITH THE INTERNATIONAL ANTI-DUMPING CODE ARE APPROPRIATE ONLY DURING CRISIS PERIODS OF SUBSTANTIAL EXCESS CAPACITY IN EXPORTING COUNTRIES, WIDESPREAD PRICE CUTTING BY MANY EXPORTERS OVER MANY PRODUCTS IN THE IMPORTING MARKET OR ON WORLD MARKETS, AND DEPRESSED DOMESTIC INDUSTRY CONDITIONS SUCH AS LOW CAPACITY UTILIZATION, PROFITS, SALES, INVESTMENTS, AND EMPLOYMENT. SUCH ACTIONS SHOULD LIMITED OFFICIAL USE

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BE EXPEDITIOUSLY REMOVED OR LIBERALIZED AS CONDITIONS IMPROVE.

(6) PRICE GUIDELINES ESTABLISHED IN CONFORMITY WITH THE ANTI-DUMPING CODE SHOULD NOT EXCEED EITHER THE LOWEST NORMAL PRICES OR THE SUMS OF THE FULL COSTS OF PRODUCTION (INCLUDING OVERHEAD), PROFIT, DELIVERY COSTS TO THE IMPORTING MARKET AND IMPORT DUTIES, IN THE SUPPLYING COUNTRY OR COUNTRIES WHERE NORMAL CONDITIONS OF COMPETITION PREVAIL.

(7) PRICE-RELATED MEASURES ARE PREFERRED WHEN GATT ARTICLE XIX ACTIONS ARE TAKEN IN THE STEEL SECTOR. BEGIN BRACKET: SUCH MEASURES SHALL TAKE ACCOUNT OF TRADITIONAL TRADE FLOWS TO AVOID

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 NSCE-00 ICAE-00
INRE-00 SSO-00 AGRE-00 CEA-01 CIAE-00 COME-00
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ABRUPT DISRUPTIONS. END BRACKET. BEGIN BRACKET:
QUANTITATIVE //IMPORT// RESTRICTIONS MAY ONLY BE
TAKEN PURSUANT TO ARTICLE XIX OF THE GATT. END
BRACKET.

(8) THE NEED FOR CONTINUATION OF ARTICLE XIX
MEASURES SHOULD BE REVIEWED REGULARLY BY THE STEEL
COMMITTEE, INCLUDING CONSIDERATION OF
PROGRESS TOWARD RESTRUCTURING. IN THE EVENT THAT
THE STEEL COMMITTEE FEELS THAT AN ACTION IS OR
CONTINUES TO BE WARRANTED, THE PARTICIPATING
GOVERNMENTS ARE EXPECTED TO REFRAIN FROM EXERCISING
THEIR RIGHTS TO PROCEED TO THE WITHDRAWAL OF
SUBSTANTIALLY EQUIVALENT CONCESSIONS.

(9) BEGIN BRACKET: MEMBERS OF THE COMMITTEE
UNDERTAKE NOT TO AUTHORIZE, OR ACQUIESCE IN, THE
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AVOIDANCE OF THESE COMMITMENTS. END BRACKET.

B. THE MEMBERS OF THE STEEL COMMITTEE AGREE THAT
GOVERNMENTAL INSTITUTIONS EXTENDING EXPORT CREDITS

INTERNATIONALLY WOULD TAKE DUE ACCOUNT OF EXPECTED SUPPLY AND DEMAND CONDITIONS IN SUPPORTING NEW CAPACITY ADDITIONS; THAT MEMBER GOVERNMENTS SHOULD AVOID ANY FORM OF COMPETITIVE SUBSIDIZATION OF EXPORTING NEW STEELMAKING CAPACITY IN THIRD COUNTRIES; AND THAT THE POLICIES OF GOVERNMENT EXPORT CREDIT INSTITUTIONS REGARDING STEEL PLANTS SHOULD BE FULLY CONSISTENT WITH THE INTERNATIONAL UNDERSTANDING DEVELOPED IN THE OECD.

C. IN ORDER TO FACILITATE STRUCTURAL ADAPTATION, THE MEMBER GOVERNMENTS AGREE THAT DOMESTIC POLICIES TO SUSTAIN STEEL FIRMS DURING CRISIS PERIODS SHOULD NOT SHIFT THE BURDEN OF ADJUSTMENT TO OTHER COUNTRIES AND THUS INCREASE THE LIKELIHOOD OF RESTRICTIVE TRADE ACTIONS BY OTHER COUNTRIES (E.G. BY ARTIFICIALLY STIMULATING EXPORTS, BY RAISING STOCK LEVELS OR BY DISPLACING IMPORTS). FURTHER, AS A GENERAL RULE, DOMESTIC MEASURES SHOULD NOT PREVENT MARGINAL FACILITIES FROM CLOSING IN THOSE INSTANCES WHERE THE FACILITIES CANNOT BECOME COMMERCIALY VIABLE WITHIN A REASONABLE PERIOD OF TIME.

D. THE MEMBERS OF THE STEEL COMMITTEE AGREE TO MAKE EVERY EFFORT TO PROVIDE EFFECTIVE PROGRAMS FOR STEEL WORKER ADAPTATION AWAY FROM FACILITIES IMPACTED BY STRUCTURAL ADJUSTMENTS INTO ALTERNATIVE EMPLOYMENT. TO THIS END, THE MEMBERS WILL PERIODICALLY EXCHANGE INFORMATION ON THE EFFECTIVENESS OF POLICIES AND PROGRAMS TO ASSIST STEEL WORKERS AND COMMUNITIES.

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E. IN ORDER TO ENSURE FAIR ACCESS TO STEELMAKING MATERIALS, THE MEMBERS AGREE THAT RESTRICTIONS ON EXPORTS SHOULD BE LIMITED TO PERIODS WHEN SHORTAGES COUPLED WITH THE SERIOUS INFLATIONARY IMPACT OF FOREIGN DEMAND, WARRANT SUCH ACTIONS. ANY ACTIONS TO RESTRICT TRADE IN STEELMAKING MATERIALS SHOULD BE REPORTED

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PROMPTLY TO THE STEEL COMMITTEE AND BE SUBJECT TO
CONSULTATION WITH AFFECTED PARTIES.

INTERNATIONAL WORK PROGRAM

IN ADDITION TO ITS RESPONSIBILITIES WITH RESPECT TO
STEEL SUPPLY AND DEMAND AND THE SITUATION OF THE STEEL
INDUSTRY AND WITH RESPECT TO THE COMMITMENTS AGREED IN
THIS RESOLUTION, THE STEEL COMMITTEE SHOULD PROMPTLY
UNDERTAKE AN EXAMINATION OF GOVERNMENTS POLICIES AFFECT-
ING THE STEEL SECTOR IN THE FOLLOWING AREAS:

(1) ADAPTATION OF PRODUCTION STRUCTURE THROUGH
MODERNIZATION, CLOSURES, AND RECONVERSIONS.

(2) READAPTATION OF LABOR.

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(3) DOMESTIC POLICIES TO SUSTAIN STEEL PRODUCTION
IN TIMES OF CRISIS.

(4) DOMESTIC PRICING AND SUPPLY.

(5) GOVERNMENT EXPORT CREDITS EXTENDED INTERNA-
TIONALLY FOR STEEL PLANTS.

THE COMMITTEE MAY UNDERTAKE EXAMINATIONS IN OTHER
AREAS AS DEEMED APPROPRIATE BY THE COMMITTEE

MEMBERS.

END TEXT.

NOTE: WORD "IMPORT" IN PARA A(7) IS IN SEPARATE
BRACKETS.
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